



## NOTICE OF REVISED SERVICE CHARGES

December 1, 2020

### GENERAL

Pursuant to section 33.3 of the *Pilotage Act*, S.C. 1985, c. P-14, the following document provides notice (the “**Notice**”) of the Pacific Pilotage Authority’s (the “**Authority**”) proposed revised charges which will come into effect on March 5, 2021, except as otherwise noted.

This Notice includes a description of the proposal, including justification in relation to establishing or revising the pilotage charge, and the circumstances in which the charge will apply. In developing the charge, the Authority has observed all charging principles established under section 33.2 of the *Pilotage Act*.

A document setting out additional details in relation to this proposal, including a justification in relation to the charging principles established under section 33.2 of the *Pilotage Act*, is available upon request from the Authority.

Persons interested in making representations to the Authority regarding the proposal set out in this Notice may do so in writing to the address set out in section 5 of this Notice, which must be received by the Authority no later than close of business on **December 31, 2020**.

Any person making written representations must include a summary of those representations. Note that this summary may be made public by the Authority. In addition, any person making written representations by the date set out in this Notice will have an opportunity to file a notice of objection related to the proposal with the Canadian Transportation Agency.

This Notice affects charges for services that the Authority provides or makes available in relation to compulsory pilotage under s. 33(1) of the *Pilotage Act*.

Except for the revisions proposed in this Notice, all the existing charges and related terms and conditions, set out in the “Customer Guide to Charges” remain in effect.

### **This Notice consists of the following sections:**

- 1) Proposed Revision to Service Charge Rates
  - 1.1 Summary
  - 1.2 Background
  - 1.3 Proposed rates
- 2) Proposed Implementation of the Proposed Revised Service Charges;
- 3) Reestablishment of Current Service Charges;
- 4) Definitions and Calculations; and
- 5) Information regarding the Notice and on making representations to the Pacific Pilotage Authority.

## 1. PROPOSED REVISION TO PILOTAGE CHARGE RATES

### 1.1 Summary

The Authority has experienced a significant decline in the number of assignments as a direct result of the global pandemic (“**COVID-19**”). In order to maintain financial self-sufficiency in fiscal 2021, an adjustment to the base rate plus a temporary surcharge is required to fund the cost of normal operations. The increases will cover:

- Increases in the fixed cost portion of the operation;
- Contractual increases in operating costs;
- The cost of training deferred from 2020 and the normal level of training for 2021; and
- Any losses as a result of the continuation of reduced assignments in 2021.

The pandemic and resulting recession have made assignment forecasting in 2021 and beyond much more difficult to achieve when compared to previous years (when the Authority’s projections were consistently within 1% of its budget). In order to maintain financial self-sufficiency in light of this situation, the Authority has set the base rate increase for 2021 at 2.5% and the temporary charge at \$200 per assignment.

The Authority will also commit to a mid-year review when there is more certainty in the cruise ship season as well as on some of the other assumptions on traffic volumes.

### 1.2 Background

When establishing a new charge for pilotage services or when revising an existing pilotage charge, the Authority must follow the charging principles set out in section 33.2 of the *Pilotage Act*. These principles prescribe that, among other requirements, charges must not be set at levels that, based on reasonable and prudent projections, would generate revenues exceeding the Authority’s current and future financial obligations related to the provision of compulsory pilotage services. Pursuant to the charging principles, the Authority’s Board of Directors (the “**Board**”) approves the amount and timing of changes to customer service charges. The Board also approves the Authority’s annual budget where the amounts to be recovered through customer service charges for the ensuing year are determined.

As noted, the Authority plans its operations to result in an annual financial position in which revenues do not exceed current and future financial obligations related to the provision of compulsory pilotage services.

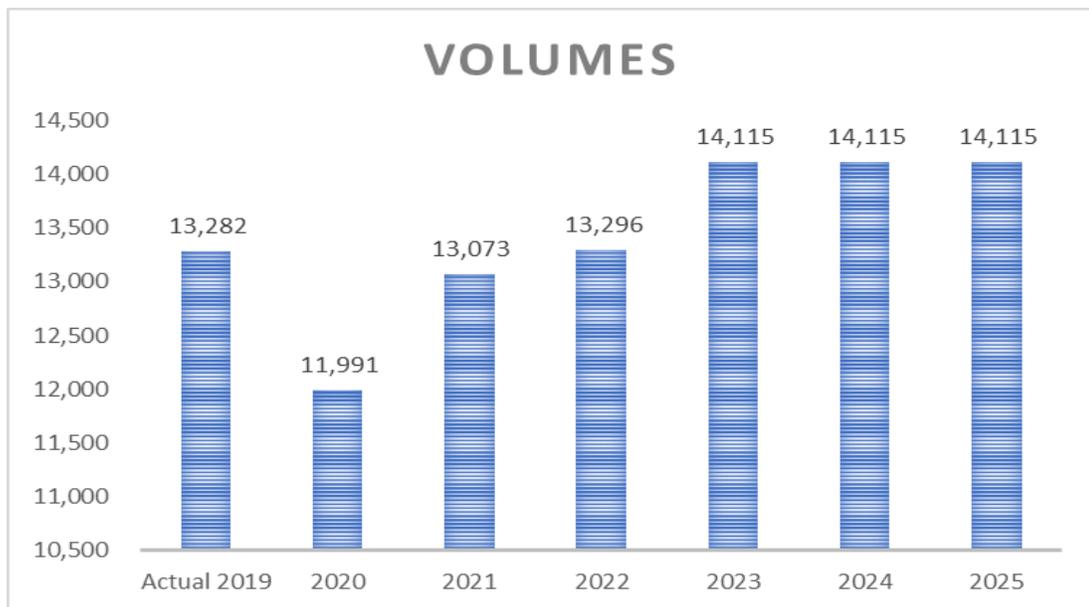
The overall current state and future outlook of local, national and international economic health will have a direct impact on cargo trade and tourism. This will directly impact the Authority’s assignment volumes and ultimately drive how the Authority supplies its services in a safe and efficient manner.

The COVID-19 pandemic has had a multi-pronged impact on the Authority. Firstly, as a direct result of COVID-19, cruise vessels operating overnight trips with over 100 passengers and crew have been prohibited until February 28, 2021, effectively cancelling the Alaska cruise season and significantly reducing the expected 2020 revenue. In addition, vessel traffic in the container and auto carrier sectors was also significantly reduced due to severely reduced consumer spending during this

period. In combination, these factors have negatively affected the expected revenue in 2020 by \$14 million. Secondly, as a direct result of the pandemic, the expenses for the Authority have increased. Due to the cancellation of many scheduled flights and the ongoing need for social distancing, much more costly chartered flights are required to transport pilots. There were also costs resulting from the need to maintain social distancing and the supply of personal protective equipment to the pilots and staff who had to operate in close proximity to each other, as well as ensuring safety when boarding foreign vessels arriving and departing the West Coast. The expectation is that the declines in the cruise sector and container sector will improve in 2021, but will not return to 2019 assignment levels.

**Assignment volumes**

As can be seen below, the Authority’s traffic is expected to decrease by 10% in fiscal 2020 as a result of COVID-19, and slowly increase back to 13,296 assignments by fiscal 2022. Much of this estimate is dependent on when cruise ships return to BC.



**Forecasted financial summary**

STATEMENT OF INCOME							
For the year ended December 31	Actual	Forecast	Forecast				
(in thousands of dollars)	2019	2020	2021	2022	2023	2024	2025
Total Revenue	96,856	82,757	93,954	97,119	102,534	103,559	104,595
Total Expenses	94,019	82,843	94,000	95,728	101,764	103,018	103,683
Total Comprehensive Income(Loss)	2,837	(86)	(46)	1,391	770	541	912

Based on projected volumes, the Authority anticipates that expenses for fiscal 2021 will be \$94.0 million. This represents a 13% increase over fiscal 2020 and is primarily driven by small

volume increases, contractual cost increases, training for 12 new contract pilots and two new employee pilots, as well as deferred training from 2020 that has been carried into 2021.

In fiscal 2021, the Authority is planning to invest \$8.4 million in ongoing capital projects.

### 1.3 Proposed rates

In order to determine the rate changes required in fiscal 2021, the forecasted revenues and cash flow generation are compared with the amounts the Authority needs to recover based on the financial summary and volumes discussed above. All expected expenses, capital expenditures and reserves are included in the recovery calculation.

Effective March 5, 2021 proposed changes to pilotage charges are calculated for each service as outlined in the following table:

Category	Rate Increase	New / Adjustment	Application Methodology	Effect on Customers
Base Rate (10 months)	2.5%	Adjustment	All rates affected	\$2.2 million
COVID-19 adjustment charge (10,894 assignments)	\$200	New		\$2.2 million
<b>Total Effect</b>				<b>\$4.4 million</b>

Current fees which are not changing and will continue in effect include the Pilotage Act administrative fee of \$57 per assignment.

Additional information including supporting calculations is provided in the document Details and Principles Regarding Proposed Revised Service Charges (“**Details and Principles**”). Refer to section 5 for information on how to request and obtain a copy of this document.

## 2. PROPOSED IMPLEMENTATION OF THE PROPOSED REVISED SERVICE CHARGES

The Authority acknowledges the ongoing challenges faced by its customers and stakeholders within the marine industry as a result of COVID-19 related issues as well as the ongoing downward pressure on freight rates. It also acknowledges that the impacts of the proposed service charge increases are significant and represent an additional financial burden to its customers at a time when they are also experiencing exceptionally difficult circumstances.

These increases are, however, necessary for the Authority to continue to fulfill its mandate to provide safe and efficient pilotage services while maintaining financial self-sufficiency. These charges are being proposed after initial consultation with the industry held in the 30-day period prior to the publishing of this Notice.

All charges will be effective on March 5, 2021.

### 3. RE-ESTABLISHMENT OF CURRENT SERVICE CHARGES

With recent changes to the *Pilotage Act*, the Authority must include the rates that are not changing within this Notice. Once these rates are announced, the *Pacific Pilotage Tariff Regulations* will be rescinded and all charges will reside in the Authority's Customer Guide to Charges for Pilotage and Other Services (the "**Customer Guide to Charges**") and be available on the Authority's website at <https://www.ppa.gc.ca/>.

### 4. DEFINITIONS AND CALCULATIONS

The definitions and calculations included in the *Pacific Pilotage Tariff Regulations* will be rescinded and those definitions and calculations will now be found in the Authority's Customer Guide to Charges, which will be available on the Authority's website at <https://www.ppa.gc.ca/>.

The content currently found in the Interpretation section of the *Pacific Pilotage Tariff Regulations* and all other calculations and descriptions not specifically addressed above will be materially replicated to the Authority's Customer Guide to Charges.

### 5. INFORMATION REGARDING THE NOTICE AND ON MAKING REPRESENTATIONS TO THE PACIFIC PILOTAGE AUTHORITY

The Notice is available online and a copy may be downloaded from the Authority's website at <https://www.ppa.gc.ca/>. Information on the existing charges is also provided on the Authority's website.

Further details of this proposal, including a justification for the proposal in relation to the charging principles, are provided in the Details and Principles document, which is available on request at the address indicated below.

Additional copies of the Notice or a copy of the Details and Principles document can be obtained through request at the following address:

*In writing:*            *Chief Executive Officer*  
                             *Pacific Pilotage Authority*  
                             *1000-1130 West Pender Street*  
                             *Vancouver, BC*  
                             *V6E 4A4*

*By email:*            [oberkev@ppa.gc.ca](mailto:oberkev@ppa.gc.ca)  
*By facsimile:*      (604) 666-1647  
*By telephone:*    (604) 666-3398

Pursuant to section 33.3 of the *Pilotage Act*, any person may make representations about the proposal to the Authority, in writing, on or before the date set out in this Notice. Any person making written representations is to include a summary of those representations. The summary may be made public by the Authority. In addition, any person making written representations by the date set out in this Notice

will have an opportunity to file a notice of objection related to the proposal with the Canadian Transportation Agency.

Pursuant to section 33.3 of the Pilotage Act, persons interested in making representations in writing to the Authority regarding the Notice may do so in writing to the following address:

*PACIFIC PILOTAGE AUTHORITY  
1000-1130 West Pender Street  
Vancouver, BC  
V6E 4A4  
Attention: Chief Financial Officer*

*By facsimile: (604) 666-1647*

**Note: Representations must be received by the Authority not later than the close of business on December 31, 2020.**